

TRANSMITTAL SLIP		
TO: <i>ICS Reg -</i>		
ROOM NO.	BUILDING	
REMARKS: <i>Do not put this on the daily journal. You may already have a copy - if so just destroy this one.</i>  <i>Thank you</i>		
FROM: <i>HC/Mail</i>		
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19 OCT 1985

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DCI/ICS 85-4097

26 September 1985

MEMORANDUM FOR: James H. McDonald  
Acting Deputy Director for Administration

FROM: Miss Eloise R. Page  
Acting Director, Intelligence Community Staff

SUBJECT: The Pymatuning Group, Incorporated

REFERENCE: Your memo dated 18 September 1985, same subject

1. We appreciate your concern expressed in the reference and have noted the items identified in the audit report. We support all appropriate efforts to correct the accounting anomalies identified during the audit. However, the total dollar cost of the proposed contract (i.e., approximately \$147,000) is a reasonable expense for the proposed work to be performed under the nine identified tasks. [ ] as the project director of the DCI-sponsored computer security (COMPUSEC) project, is instrumental to the Intelligence Community's efforts to deal with the increasingly complex problem of protecting sensitive intelligence processed by automated systems. We need to proceed with these efforts as soon as possible.

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2. We fully supported the in-depth audit of The Pymatuning Group, Incorporated as an administrative procedure to assist in final cost negotiations for the new contract. Since April 1985, we have limited [ ] new efforts in support of the DCI's COMPUSEC project while the audit was being conducted so that a thorough review could be performed. Her efforts in support of work approved by the DCI have been delayed. [ ] assistance is essential to the completion of these tasks.

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3. The audit was conducted from June to August 1985. In late August, [ ] became increasingly concerned about not being paid for the new COMPUSEC efforts on which she had been performing some work since April. It was requested that the contract be negotiated and signed as soon as possible. The contracting officer orally negotiated a new rate of \$1,400/day with Pymatuning, presumably based on the initial results of the audit.

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4. It was anticipated that the audit would include a review of Pymatuning's other government contracts as a basis for negotiating the proposed daily rate. While we accept the fact that the audit indicates Pymatuning's current accounting system cannot be used to substantiate the cost proposal, there was no apparent attempt to identify the rates Pymatuning charges to other government clients as a basis for final contract negotiations.

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5. We share your concern over the increase in the daily rate for [ ] over the past three years. Your audit report helps identify the areas that may be causing the problem, and we shall look into relevant actions that can be taken in this regard.

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6. While we agree with your concern in this matter, an oral commitment was made to Pymatuning in late August by the Office of Logistics' contracting officer for the \$1,400/day rate. Since any new negotiations based on the results of your 12 September 1985 audit report would likely extend beyond the fiscal year for which this effort was budgeted, we recommend proceeding with the new contract at the \$1,400/day rate. We have already notified [ ] expressing our concerns over the audit report, and informed her that we must ensure that appropriate accounting procedures are instituted immediately.

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7. Your assistance in this matter is appreciated.

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Eloise R. Page

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SUBJECT: The Pymatuning Group, Incorporated

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ICS/IHC,  (25 Sept 85)